

SHINING A LIGHT ON THE..... Montanaro Better World Fund

AT A GLANCE

Investment Objective

The investment objective of the Fund is to deliver long-term capital growth. The Fund shall invest in small and midcap companies primarily quoted in global markets and whose market capitalisation does not exceed that of the largest unadjusted market capitalisation of any of the constituents of Benchmark at the time of initial investment.

Inception Date	10 th April 2018
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000010MAT

Management

Manager Name	Start Date
Charles Montanaro	10 th April 2018
Mark Rogers	1 st January 2019

FUND PERFORMANCE

Performance from 10th April 2018 to 31st January 2023:

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



10/04/2018 - 31/01/2023 Data from FE fundinfo2023

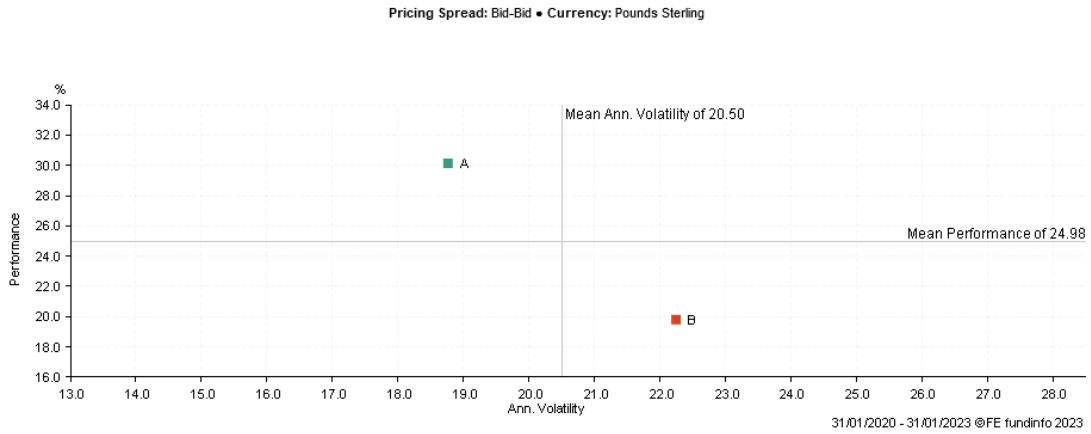
Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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RATIO DATA (3-years)

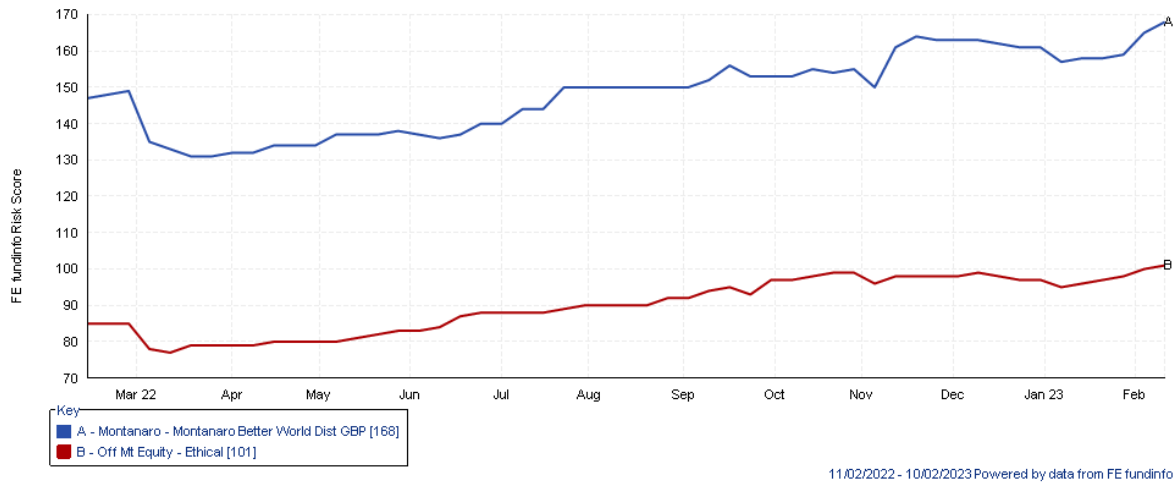
Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
-1.85	1.23	-37.42	27.66	-22.68	72	83	13.70

VOLATILITY / RISK SCORE



Key	Name	Performance	Annualised Volatility
A	MSCI World SMID Cap TR in GB	30.14	18.76
B	Montanaro - Better World Dist GBP TR in GB	19.82	22.24

FE fundinfo Risk Score Chart Over 1 Year



INVESTMENT STYLE DETAILS	
Giant	0.00
Large	16.35
Medium	59.59
Small	21.92
Micro	2.14

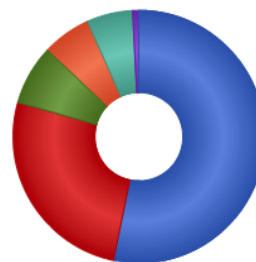
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REGION WEIGHTING

Region Weightings as at January 31, 2023

Rank	Change	Name	%
1	▶	NORTH AMERICA	53.24
2	▶	EUROPE EX UK	26.14
3	▶	AUSTRALASIA	7.64
4	▶	UK	6.28
5	▶	JAPAN	5.90
6	▶	MONEY MARKET	0.79

▼ Faller ▲ Riser ▶ No Change ■ New Entry

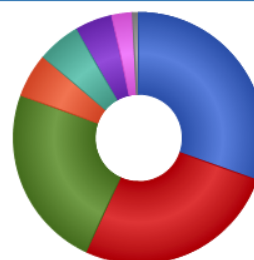


SECTOR WEIGHTING

Sector Weightings as at January 31, 2023

Rank	Change	Name	%
1	▶	HEALTH CARE	30.43
2	▶	TELECOM, MEDIA & TECHNOLOGY	26.48
3	▶	INDUSTRIALS	23.61
4	▶	BASIC MATERIALS	5.66
5	▶	CONSUMER PRODUCTS	5.49
6	▶	UTILITIES	4.88
7	▶	FINANCIALS	2.66
8	▶	MONEY MARKET	0.79

▼ Faller ▲ Riser ▶ No Change ■ New Entry



HOLDINGS

Top 10 Holdings as at January 31, 2023

Rank	Change	Name	%
1	▶	ANSYS INC	3.43
2	▶	PRO MEDICUS	3.37
3	▼	BRUKER CORP	3.11
4	▶	TREX COMPANY	3.02
5	▶	ICON PLC	2.97
6	▼	IDEX CORP	2.91
7	▼	CHR HANSEN HLDGS A/S	2.89
8	▶	IDP ED LTD	2.83
9	▶	VEEVA SYSTEMS INC	2.68
10	▶	MSCI INC.	2.66
Top 10 total percentage weighting			29.87

▼ Faller ▲ Riser ▶ No Change ■ New Entry



OTHER DATA

Benchmark	MSCI World SMID Cap
Fund Size	e 619 million
Fees	0.94%

Bull Points (pros)	Bear points (cons)
<ul style="list-style-type: none"> 12 months into a bear market and therefore this will end Small and Mid-Cap, Quality and Growth all derated in 2022 offering valuation opportunities Sustainable Article 9 strategy Strong long-term performance 	<ul style="list-style-type: none"> 2022 was a poor year in terms of performance Small and mid cap tends to be hit hardest in periods of underperformance

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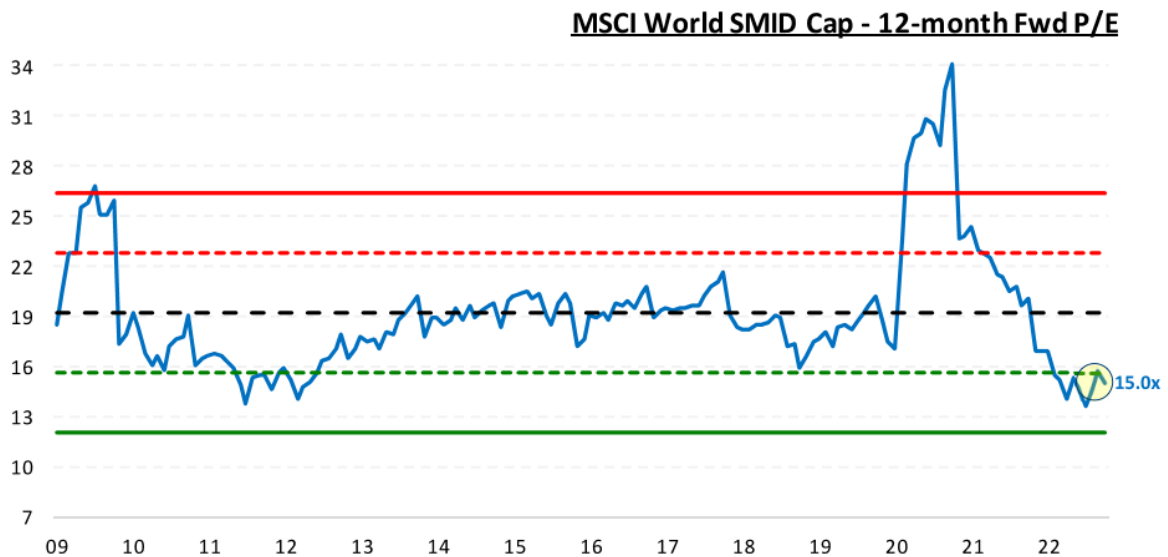
- Impact strategy looking to make the world a better place and deliver attractive returns

UPDATE....

Before any investor comes to this fund it is important that they understand what they are signing up to. This aims to invest in quoted companies that make a positive impact on the world. It is exclusionary so avoids areas including tobacco, alcohol, weapons, fossil fuels, animal testing etc. It targets quality growth companies. So these are companies with strong balance sheets, high returns, are profitable and have low levels of debt (around 55% of the companies they invest in have net cash).

However, it invests in a part of the market that can be volatile. It focuses on small and mid-cap companies and when we see a year such as 2022, this strategy will struggle. The chart shows how the sector is trading close to its all-time low:

Global SMID is currently trading close to an all-time low P/E



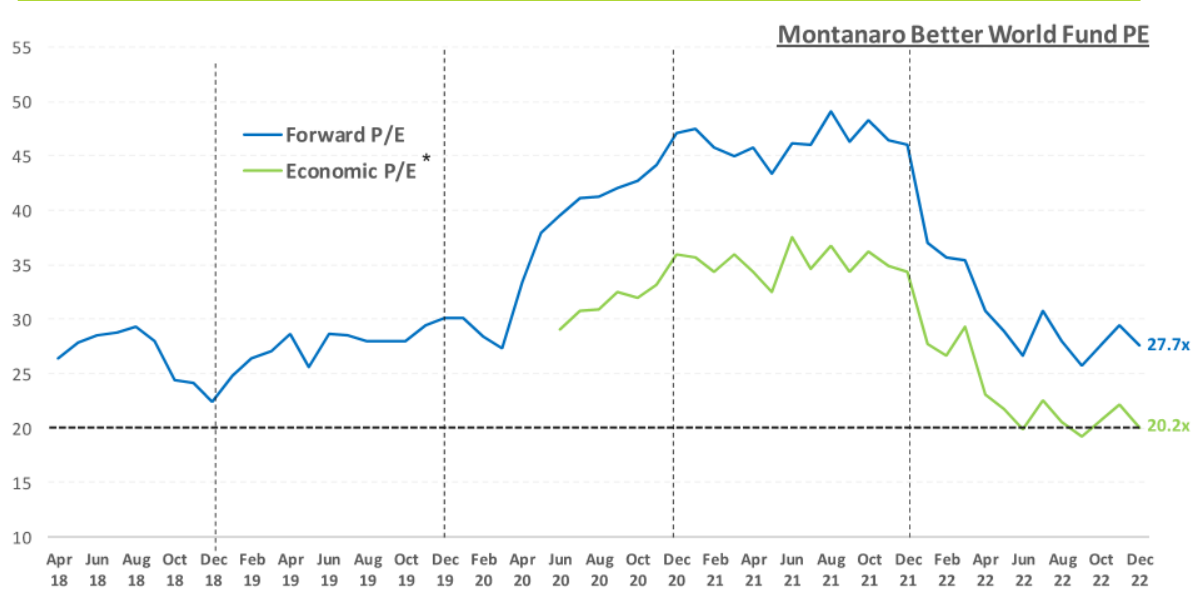
So although the fund is investing in impactful companies, the journey towards delivering returns will be bumpy. When we consider the damage last year most of this was not in terms of the theme allocation but more the quality focus of the strategy and weighting to small companies. In fact, areas such as nutrition, green economy and environmental protection held up strongly.

Attribution v. the MSCI World SMID Cap Index:

H1 2022		H2 2022	
Nutrition	-0.1%	Green Economy	1.2%
Green Economy	-0.9%	Environmental Protection	0.2%
Environmental Protection	-2.2%	Nutrition	-0.2%
Well-being	-4.0%	Healthcare	-0.2%
Innovative Technologies	-4.6%	Well-being	-1.0%
Healthcare	-4.7%	Innovative Technologies	-2.4%
Total	-16.5%	Total	-2.4%

The chart below shows how the price to earnings of the fund has come down and why they now see significant opportunities moving forward.

Valuation has become more attractive



The fund invests across the following themes:

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The types of companies they are looking for are those that deliver products and services that make a positive impact. They look to business models they can understand, they want profitable companies, market leaders and outstanding management. To come onto the approved list a company goes through an impact, quality, and valuation screen.

All holdings come from this approved list, and the fund looks to hold 1% to 3% in each initial investment with the top weighting after investment being 5%. The actual weighting depends on quality, valuation, and risk / liquidity.

The current top twenty is split as follows:

Company	Country	% Weight.	Company	Country	% Weight.
1 ANSYS	USA	3.3%	11 TREX COMPANY	USA	2.6%
2 BRUKER	USA	3.2%	12 IDP EDUCATION	Australia	2.6%
3 CHR HANSEN	Denmark	3.0%	13 NOVA	USA	2.5%
4 IDEX CORP	USA	3.0%	14 MSCI	USA	2.5%
5 PRO MEDICUS	Australia	2.9%	15 VEEVA SYSTEMS	USA	2.5%
6 TERNA ENERGY	Greece	2.8%	16 SPIRAX-SARCO ENGINEERING	UK	2.5%
7 TECAN GROUP	Switzerland	2.7%	17 AMERICAN WATER WORKS	USA	2.3%
8 ICON	USA	2.7%	18 ENTEGRIS	USA	2.3%
9 BIO-TECHNE	USA	2.7%	19 HALMA	UK	2.2%
10 SARTORIUS STEDIM BIOTECH	France	2.6%	20 MELEXIS	Belgium	2.1%
TOTAL 1 to 10		29.0%	TOTAL 11 to 20		24.0%

The nature of the strategy is that it really focuses more on the company and themes, and therefore the output in terms of countries and sectors is more driven by those themes.

In Q4 they sold two companies and trimmed one. They added Purchased Power Integrations.

The fund has performed well since it was launched but struggled in 2022, as can be seen below:

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Returns (with dividends reinvested, net of fees)

<i>(Total Returns, GBP Share class)</i>	Montanaro Better World Fund	MSCI World SMIDCap Index (TR)	Relative
2022	-29.5%	-8.7%	-20.8%
2021	20.0%	17.8%	2.2%
2020	35.0%	12.2%	22.8%
2019	29.8%	21.9%	7.9%
2018	-3.8%	-4.0%	0.2%
Since Launch (Apr 2018)	42.5%	41.2%	1.3%

Much of that underperformance came in January 2022 and then the rest of the first half of the year. This really reflected the markets dislike for quality and small / mid-cap.

Returns (with dividends reinvested, net of fees)

<i>(Total Returns, GBP Share class)</i>	Montanaro Better World Fund	MSCI World SMIDCap Index (TR)	Relative
Jan-22	-19.2%	-6.5%	-12.7%
H1 2022	-31.4%	-13.7%	-17.8%
H2 2022	2.8%	5.7%	-3.0%

The team are mindful of this underperformance and how it has undermined how well the strategy had done up to this point. However, they point to the fact that they are investing in quality companies that are profitable, are leaders and have low levels of debt. They feel these companies should do well moving forward. Across the holding the average growth rate remains strong.

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Aggregate 5-year growth rate for the companies in each of our themes:



In summary, this is an article 9 fund so is classed as sustainable. This requires the highest standards of reporting and some 1,500 funds have dropped out of being called article 9 due to inadequate reporting. It has a clear focus in terms of themes and a high quality bar for investments. Long term, this should deliver strongly for investors but this will be more volatile which is an element that not all investors will like.

The source of information in this note has been provided by Montanaro and is correct as of January 2023. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.